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C O N F I D E N T I A L KATHMANDU 001650

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TAGS: [PREL](#) [PGOV](#) [PTER](#) [EAID](#) [NP](#)
SUBJECT: SUPPORTING THE GOVERNMENT IN THE WEEKS AHEAD

REF: A. KATHMANDU 1576

- [1](#)B. KATHMANDU 1597
- [1](#)C. KATHMANDU 1617
- [1](#)D. KATHMANDU 1630
- [1](#)E. 05 KATHMANDU 2556
- [1](#)F. BEIJING 13004
- [1](#)G. KATHMANDU 1533
- [1](#)H. NEW DELHI 4169

Classified By: Ambassador James F. Moriarty, Reasons, 1.4 (b/d).

Summary

[1](#)1. (C) Since the signing of the June 16 eight-point agreement with the Maoists, the government and seven-party alliance appear to have realized that unilateral concessions could ultimately result in a Maoist takeover and have since returned to their previous bottom line: the Maoists must lay down their weapons to enter into the political mainstream. That said, the willingness of the government to sign the June 16 agreement, which fudged that bottom line, underscores the importance of stiffening the government's spine with respect to the Maoists. We need to remind the government of the downsides of shoddy deals with the Maoists, while at the same time focusing on increasing assistance to Nepal and making a visible impact in the next four months. We need to coordinate closely with India to keep the pressure on the GON to do the right thing, and warn China against the temptations of trying to make short-term gains by playing around with the Maoists. End Summary.

Uh-Oh

[1](#)2. (C) The June 16 eight-point agreement in theory sets out a roadmap for moving toward a constitutional assembly: request the United Nations to help manage the armies and weapons of both sides, draft an interim constitution, form an interim government, announce the date for constituent assembly elections, and dissolve Parliament and all the Maoist "People's Governments." In fact, however, it does not resolve the areas of disagreement remaining from the November 2005 12-point understanding between the Maoists and the seven-party alliance (ref E). Most fundamentally, the agreement does not address whether or how the Maoists will

actually decommission their weapons. All the Embassy's interlocutors stress that the democratic forces' bottom line remains the same: the Maoists must give up arms before entering government or holding elections. Otherwise, as one source so aptly said, Nepal would be changing "one King for another." The Maoists, meanwhile, continue to make clear that they have no intention of giving up their weapons in the foreseeable future.

Supporting the Political Parties

¶3. (C) Except among the most woolly-headed of journalists and civil society activists, we have found virtually no support for the proposition that the Maoists should be allowed to enter the political mainstream without abandoning the threat of violence. We have heard from authoritative sources that the Prime Minister himself acknowledges that failing to adequately address the issue of Maoist weapons in the eight-point agreement was a major mistake. We need to pile on hard, to reinforce the government's slowly dawning realization that too many unilateral concessions could ultimately lead to a Maoist victory. We are reminding the government and the parties that the government has the strength to stand up to the Maoists, if it has the will to do so. We are also pointing out that the GON has the support of the people for its position. We are also quietly spreading the word, at the request of political party leaders and Finance Minister Ram Sharan Mahat (Central Committee member of the Nepali Congress party), that the USG would most probably have to cut assistance to the GON if the Maoists joined the government without giving up their weapons and clearly breaking away from terrorism.

¶4. (C) The Ambassador will give a speech June 28 that stresses publicly our support for the government's position that the Maoists give up weapons before entering an interim government. It will also publicly question Maoist actions and call upon them to show good faith in implementing the cease-fire and code of conduct to signal their intentions to enter the mainstream. He does not plan to pull any punches and we expect the speech will start a firestorm. The Ambassador will basically say what the Parties want to say, but cannot.

Working with Others in the International Community

¶5. (C) The events of the past week underscore the importance of getting assistance in to Nepal quickly to shore up the legitimacy of the government. We have obtained USD 12 million in enhanced assistance resources in the past two months to support the government. We expect to hold a signing ceremony to obligate most of our FY '06 money (USD 28.5 - 35 million) in the month of July, which should signal US support for this government. We also need to press Nepal's traditional donors to encourage them to provide additional assistance to the new government. Some donors suggest that we wait for the Maoists to be "brought on board" before moving forward with additional assistance. We believe that this is a formula that increases the legitimacy of the Maoists and thus makes additional Maoist advances more, rather than less, likely.

¶6. (C) Most importantly in terms of the international community, we need to step up our efforts to keep both China and India on track. The Chinese Foreign Ministry recently indicated it was leaning toward according the Maoists more legitimacy than we believe warranted (ref F). We fear that the Maoist advances in recent months are encouraging Beijing to consider how to pursue PRC interests by playing with the Maoists (e.g., by seeing whether a Maoist-dominated government would protect Chinese interests with respect to Tibet). A/S Boucher's trip thus comes at an opportune time. We believe that China still wants to work closely with us on Nepal and will listen to him closely on how we can work together to prevent regional instability. The key themes to push with China, and others in the international community,

are that we have seen no signs that the Maoists intend to give up their weapons and that we need to continue to support the legitimate government. We encourage the Department to send a demarche cable to the United Nations and European capitals with a similar message.

17. (C) We see less of a challenge in coordinating with New Delhi right now. From our perspective, Indian attitudes toward Nepal appear to be changing. Indian Ambassador Shiv Mukherjee told the Ambassador June 21 that New Delhi was worried about the way things were going in Nepal. Mukherjee said that he had also been pushing hard the need for the Maoists to decommission their weapons before coming in to the government. Mukherjee stressed that India was going ahead with its economic program (refs G, H). That said, he noted that he had also discussed with Finance Minister Mahat the necessity of reviewing India's assistance should the Maoists join the government while they still carried weapons. According to Mukherjee, Mahat indicated that he understood that "India would have to do what it has to do." In any high-level discussions we have with the Indians in the coming months, we must continue to raise Nepal in order to make sure that we can coordinate our pressure on both the government and the Maoists to do the right thing.

Comment

18. (C) Prime Minister Koirala quickly realized that the eight-point agreement was a mistake and could lead to disaster. This suggests that the GON will retain the will to withstand Maoist pressure, particularly if both we and the Indians continue to lean on the seven parties not to do anything stupid. Ultimately, if the GON stands up to the Maoists, and begins to benefit from increasing external support, it easily has the resources and strength necessary to overcome its current difficulties and prevent a Maoist takeover.

MORIARTY